

[REDACTED]

[REDACTED]

[REDACTED]

Dear Applicant:

The information submitted indicates that you were incorporated in the [REDACTED]. Your charter states that your purposes are to promote social ties between [REDACTED] and [REDACTED].

Your application indicates that your organization owns [REDACTED] times. Only employees of [REDACTED] are able to become members of your organization and are required to pay a one-time membership fee of \$[REDACTED] and annual dues of \$[REDACTED]. When your members use the property, they are charged an additional fee of \$[REDACTED]. Your application further explains, that this activity provides members a vacation home in [REDACTED] at a reasonable cost to promote social ties between [REDACTED]. The vacation property is located at [REDACTED]. There is [REDACTED] on the property.

The membership of this organization meets one time each year around [REDACTED] at [REDACTED]. At the meeting, each member draws lots for the days he/she will be able to use the vacation property. There are currently [REDACTED] members and each is entitled to use the property for one week. General maintenance needs and suggestions for improvements to the property are also discussed at this meeting. The annual meeting described above is the only time the membership joins together.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname							
- Date							

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Section 501(c)(7) of the Internal Revenue Code exempts from taxation, clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the Federal Income Tax Regulations states that the exemption provided by section 501(a) for organizations described in section 501(c)(7) applies only to clubs which are organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments. However, a club otherwise entitled to exemption will not be disqualified because it raises revenue from members through the use of club facilities or in connection with club activities.

Section 1.501(c)(7)-1(b) of the Federal Income Tax Regulations states that a club which engages in business, such as making its social and recreational facilities available to the general public or by selling real estate, timber, or other products, is not organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, and is not exempt under section 501(a). Solicitation by advertisement or otherwise for patronage of its facilities is prima facie evidence that the club is engaging in business and is not being operated exclusively for pleasure, recreation, or social purposes. However, an incidental sale of property will not derive a club of its exemption.

Rev. Rul. 70-32, 1970-1 C.B. 132 states that a flying club providing economical flying facilities for its members, but having no organized social and recreational program, did not qualify for exemption because the sole activity of the club was rendering services to its individual members and there was no significant commingling of its members.

Revenue Ruling 55-716, published in Cumulative Bulletin 1955-2, on page 263, states that the absence of fellowship as a material factor in the life of an organization resulted in nonrecognition of exemption to an association formed for the purpose of furnishing television antenna service to its members. Since "community antenna" organizations generally do not afford opportunities for personal contact among members, or if there is such contact, it is incidental to the primary purpose, they are not entitled to exemption even though organized not for profit and no part of their earnings inure to the benefit of shareholders.

Revenue Ruling 69-635, published in Cumulative Bulletin 1969-2, on page 126, states that although there is no statutory definition of "club" as used in IRC 501(c)(7), it implies the existence of personal contact, commingling, and fellowship among members. Generally, the lack of commingling of members is an indication that the basic purpose of the organization is only to provide personal services and goods to the membership in a manner similar to commercial counterparts.

Based on the information submitted, we have determined that your organization is operating in essentially the same manner as the organizations described in the above Revenue Rulings and

therefore we hold that you are primarily organized and operated to provide personal services and goods to the membership and not primarily for fellowship, mutual interest and goals. The limited amount of personal contact among members is incidental to the primary purpose of providing a vacation home to members. There is no significant existence of personal contact, commingling, and fellowship among your members.

Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(7) of the Internal Revenue Code. In accordance with this determination, you are required to file Federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this you should file a written appeal as explained in the enclosed publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a proper power of attorney or tax information authorization with us.

If you don't appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination on this matter.

Appeals submitted which do not contain all the documentation required by Publication 892 will be returned for completion.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

[Redacted signature block]

Enclosure: Publication 892